



Annual Budget

2015/2016

Executive Mayor

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PURPOSE

The purpose of the report is to present the annual budget of the municipality to the council for approval. The municipal finance management act requires the Mayor of a municipality to table the annual budget of the municipality to council before the start of the financial year for approval.

BACKGROUND

The municipality have compiled the budget for 2015-2018 in line with the guidance from National and provincial treasury and it was also developed in line with the Integrated Development Plan of the municipality. The budget is a tool that will ensure that the IDP is implemented and it's realisable. The budget will also outline the business model for the municipality and it will reflect on the revenue and expenditure of the municipality.

The budget is aimed at ensuring that the municipality is able to provide effective and efficient service delivery to its community. The initial process of the budget was for the municipality to develop a budget compilation process that will ensure that each and every stakeholder in the municipality participates in the budget process. The process included consultative forum, management inputs, business plan, public participation and budget finalisation process.

The municipality went not an intensive process on consultation to ensure that the budget is a product developed by everyone. We had public participation process were local media was also involved in the process. The budget was advertised in the local and national media and communities were encouraged to make an input in the budget process.

EXECUTIVE SUMMARY

There were various discussions on the budget and the discussion was focused on the current service delivery and liquidity position of the municipality and how do the municipality develop a budget that is feasible and affordable for the whole community. During the budget consultative meetings there were various views raised from all angle about the draft budget and what changes the community wants to see in the budget.

Revenue R575 million
Expenditure R486 million
Surplus R36 million

Description R thousands	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework			Movements as compared to previous year.	
	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Changes	% Changes
<u>Financial Performance</u>							
Property rates	62 195	203 195	70 018	75 094	80 526	(133 177)	-190%
Service charges	229 296	250 124	296 768	311 995	322 944	46 645	16%
Investment revenue	500	500	529	560	592	29	5%
Transfers recognised - operational	125 884	125 884	191 626	188 953	202 086	65 742	34%
Other own revenue	56 382	43 130	16 897	16 972	17 052	(26 233)	-155%
Total Revenue (excluding capital transfers and contributions)	474 257	622 833	575 838	593 574	623 200	(46 995)	-8%
Employee costs	136 495	136 495	148 900	150 212	151 764	12 405	8%

Remuneration of councillors	11 626	11 626	12 556	13 561	14 645	930	7%
Depreciation & asset impairment	117 500	117 500	58 000	58 000	58 000	(59 500)	-103%
Finance charges	1 836	5 602	2 200	2 000	1 800	(3 402)	-155%
Materials and bulk purchases	174 262	180 900	193 733	214 189	236 890	12 833	7%
Transfers and grants	–	–	2 500	500	500	2 500	100%
Other expenditure	128 127	111 851	67 600	70 398	73 770	(44 251)	-65%
Total Expenditure	569 846	563 974	486 490	508 859	537 368	(77 485)	-16%
Surplus/(Deficit)	(95 588)	58 859	89 348	84 715	85 831	30 489	34%
Transfers recognised - capital	(55 775)	(55 775)	(52 352)	(51 748)	(55 290)	3 423	-7%
Contributions recognised - capital & contributed assets	–	–	0	–	–	0	100%
Surplus/(Deficit) after capital transfers & contributions	(151 363)	3 084	36 996	32 466	30 541	33 912	92%
<u>Capital expenditure & funds sources</u>							
Capital expenditure	–	–	62 322	51 748	55 290	62 322	100%
Transfers recognised - capital	–	–	52 352	51 748	55 290	52 352	100%
Public contributions & donations	–	–	–	–	–	–	0%
Borrowing	–	–	–	–	–	–	0%
Internally generated funds	–	–	9 970	1 000	500	9 970	100%
Total sources of capital funds	–	–	62 322	52 748	55 790	62 322	100%
<u>Financial position</u>							
Total current assets	237 364	248 701	245 816	243 719	266 990	(2 885)	-1%
Total non-current assets	1 486 475	1 484 154	1 373 955	1 628 548	1 718 941	(110 199)	-8%
Total current liabilities	48 904	51 878	42 608	36 878	31 291	(9 270)	-22%
Total noncurrent liabilities	49 668	49 668	110 574	114 013	118 533	60 906	55%
Community wealth/Equity	1 612 898	1 644 213	1 466 588	1 721 376	1 836 107	(177 625)	-12%
<u>Cash flows</u>							
Net cash from (used) operating	21 903	50 249	65 374	60 617	71 905	15 125	23%
Net cash from (used) investing	(64 250)	(64 250)	(60 442)	(51 748)	(55 290)	3 808	-6%
Net cash from (used) financing	(7 395)	(7 395)	(7 408)	(7 387)	(7 364)	(13)	0%
Cash/cash equivalents at the year end	(25 372)	2 974	497	1 980	11 230	(2 477)	-498%
<u>Cash backing/surplus reconciliation</u>							
Cash and investments available	–	(2 974)	497	1 980	11 230	3 471	698%
Application of cash and investments	(122 949)	(96 184)	(182 949)	(160 837)	(181 907)	(86 765)	47%
Balance - surplus (shortfall)	122 949	93 210	183 446	162 817	193 137	90 236	49%
<u>Asset management</u>							
Asset register summary (WDV)	72 375	70 055	70 055	70 055	70 055	–	0%
Depreciation & asset impairment	117 500	117 500	58 000	58 000	58 000	(59 500)	-103%
Renewal of Existing Assets	50 475	49 246	30 031	29 849	31 974	(19 215)	-64%
Repairs and Maintenance	30 714	30 714	33 614	35 554	37 593	2 900	9%

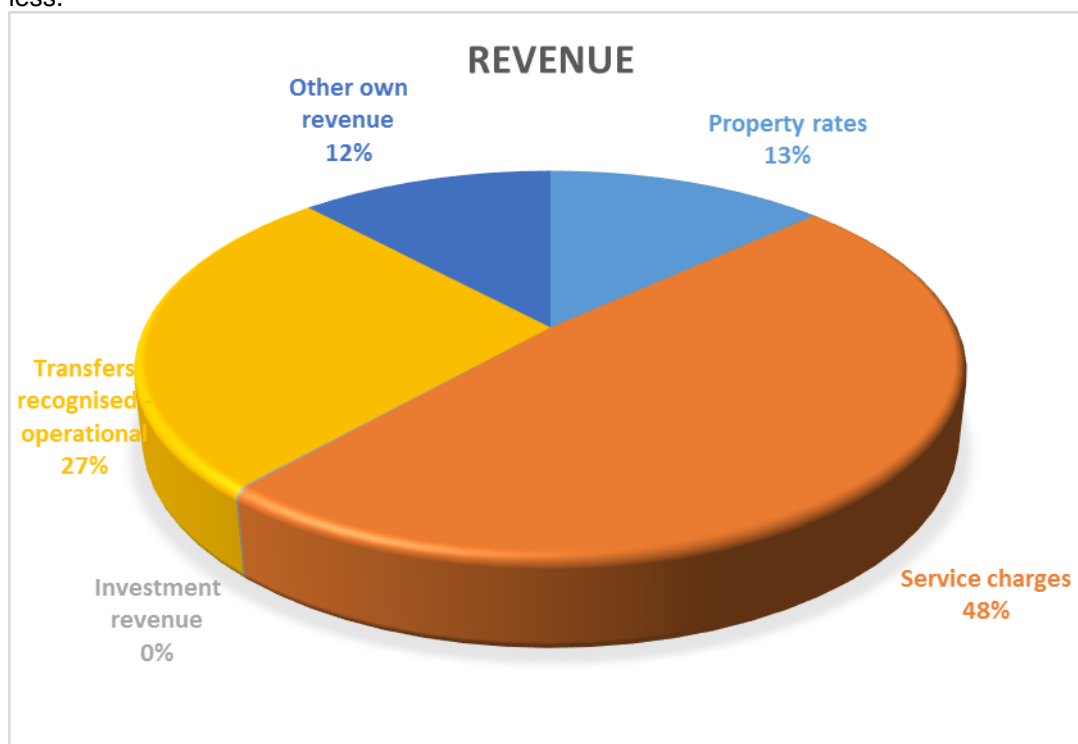
Free services							
Cost of Free Basic Services provided	23 414	62 875	60 147	60 246	60 312	(2 728)	-5%
Revenue cost of free services provided	26 264	65 725	63 034	63 246	63 387	(2 691)	-4%
Households below minimum service level							
Water:	0	0	0	0	0	-	0%
Sanitation/sewerage:	-	-	-	-	-	-	0%
Energy:	19	19	19	19	19	-	0%
Refuse:	-	-	-	-	-	-	0%
						-	0%

REVENUE

The biggest contributor to the revenue of the municipality is service charges to the consumers. The council should note that the major portion of service charges is the water component relating to the mines. The other major contributor to the revenue of the municipality is the grants received from both national and provincial government. The estimated grant funding for this year both conditional and unconditional is R192 million.

**Revenue
reduce by
-8%**

The revenue of the municipality as compared to the 2014/2015 have decreased by **8%**. This is due to R133 million reduction in property rates income as a results of pending disputes with the mines. We have also estimated a loss of revenue relating to traffic income due to under performance in the current financial year. The revenue for 2015/2016 is estimated at R575 million which is R43 million less.



TARRIFS

The Key household increases for the year are as follows:

❖ Property Rates	7%	
❖ Electricity	12% - 13%	(Subject to additional increase by Eskom)
❖ Water	6%	(Subject to additional increase by Rand Water)
❖ Refuse	4% - 8%	
❖ Sanitation	7% - 11%	

The tariffs have been generally increased by 8% for most of the services and the tariffs for electricity was increased by 13% in line with the anticipated 14% increase by Eskom. Council should also note that if the Nersa approves the additional tariff increase request by Eskom this will impact on the Electricity tariffs and also water tariffs. Rand Water have cautioned municipalities that if Eskom is offered additional increase they will have to revise their own tariffs.

**Average
increase 8%**

PROPERTY RATES TAX

	2014/2015	2015/2016	% Increase
Residential Property	0.014	0.015	7%
Business	0.028	0.031	11%
Industries	0.028	0.031	11%
State Owned Property	0.026	0.029	12%
Public Service Infrastructure	0.026	0.029	12%
Farming property used for bona fide farming	0.010	0.011	10%
Farming property used for residential purpose	0.014	0.015	7%
Farming property used for industrial and business purpose	0.028	0.031	11%
Vacant Land irrespective of Zoning	0.100	0.150	50%
Mining Property	0.028	0.100	257%
Religious	-	-	

ELECTRICITY

Domestic	<u>2014/15</u>	<u>2015/16</u>		<u>2014/15</u>	<u>2015/16</u>	
Prepaid	<u>Winter</u>	<u>Winter</u>		<u>Summer</u>	<u>Summer</u>	
Block 1 (0-50 kWh)	96.00	107.71	12%	69.00	77.42	12%
Block 2 (51 – 350 kWh)	104.00	116.69	12%	74.00	83.03	12%
Block 3 (351 – 600 kWh)	131.00	148.03	13%	100.00	113.00	13%
Block 4 (>600)	145.00	163.85	13%	130.00	146.90	13%
Basic/Fixed Charge	80.00	90.00	13%	80.00	90.00	13%

(R/Month)						
Domestic	<u>2014/15</u>	<u>2015/16</u>		<u>2014/15</u>	<u>2015/16</u>	
Conventional	<u>Winter</u>	<u>Winter</u>		<u>Summer</u>	<u>Summer</u>	
Block 1 (0-50 kWh)	96	107.71	12%	69	77.42	12%
Block 2 (51 – 350 kWh)	104	116.69	12%	74	83.03	12%
Block 3 (351 – 600 kWh)	131	148.03	13%	102	115.26	13%
Block 4 (>600)	146	164.98	13%	132	149.16	13%
Basic/Fixed Charge	80	90	13%	80	90	13%
(R/Month)						

WATER

Metered Water 2014/2015 2015/2016
6

Residential, Flats			
In excess of 0kl up to 6kl:	10.33	11.01	7%
In excess of 6kl up to 10kl:	11.15	11.88	7%
In excess of 10kl up to 20kl:	12.27	13.07	7%
In excess of 20kl up to 30kl:	13.49	14.37	7%
In excess 30 kl:	14.85	15.82	7%
Basic Charge	25	26.64	7%
Commercial			
For consumption up to 200kl per Kl:	14.85	15.82	7%
For consumption exceeding 200kl per kl:	16.5	17.58	7%
Institutional Buildings			
For consumption up to 200kl per Kl:	12.5	13.32	7%
For consumption exceeding 200kl per kl:	13.5	14.38	7%
Industries			
For consumption up to 200kl per Kl:	14.5	15.45	7%
For consumption exceeding 200kl per kl:	17.5	18.64	7%
Mines – Bulk			
Bulk Water	10.5	11.19	7%
Supply of unmetered water			
Deemed consumption: 30kl	152	161.94	7%
Informal Settlement water: kl	15	15.98	7%

SANITATION

<i>Private dwelling</i>	2014/2015	2015/2016	
Basic Charge per month based on size of the erf.			
Up to 350 sm			11%
	45.00	50.00	
Over 351 sm to 600 sm			15%
	65.00	75.00	
Over 601 sm to 800 sm			12%
	85.00	95.00	
Over 801 sm to 1000 sm			10%
	105.00	115.00	
Over 1001 sm to 1200 sm			9%
	115.00	125.00	
Over 1201 sm to 1400 sm			8%
	125.00	135.00	
Over 1401sm			7%
	150.00	160.00	
Additional Levy			
Residential per toilet			7%
	56.20	60.00	
Business per water closet / urinal stall			8%
	101.79	110.00	
Institutions, Schools, Church			8%
	101.79	110.00	
Industries per water closet / urinal stall			6%
	180.00	190.00	
Hotels, Motels, BnB per room.			8%
	92.61	100.00	

WASTE MANAGEMENT

<i>Household Refuse Collection</i>	2014/2015	2015/2016	
Property Value			
R70 000 and less (including indigents households)	65.00	70.00	8%
R70 001 to R120 000	70.00	75.00	7%
R120 001 to R180 000	75.00	80.00	7%
R180 001 to R240 000	80.00	85.00	6%
R240 001 and R500 000	90.00	95.00	6%
R500 001 and more	120.00	125.00	4%
Garden and Rubble Refuse per load.	250.00	265.00	6%

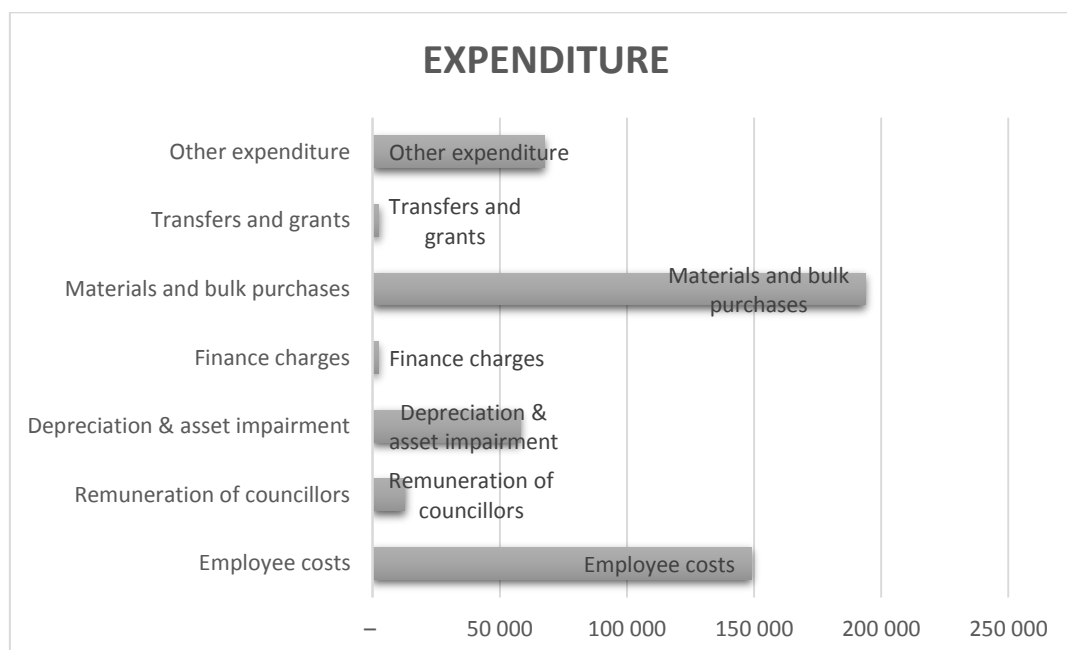
EXPENDITURE

The municipality's has budgeted for a total expenditure of R548.7 million. The OPEX (Operating Expenditure) relates consist of 88% of the total budget and 22% relates to CAPEX (Capital Expenditure). The major expenditure for 2015/2016 remains the Bulk Purchases of Water and Electricity. It consist of 31% of the total operating expenditure. It is followed by employee cost at 24% of the operating expenditure. Total operating expenditure have decreased by 13% as a result of reduction in the depreciation and the reduction in general expenditure.

OPEX R486.4 million
CAPEX R62.3million

The council should note that we have reduced our general expenditure drastically to ensure that we accommodate the Eskom repayment. This will have an impact in a number of projects and programmes in the municipality. We want to achieve a drastic reduction in the overtime and standby payments for the next financial year. We will also be closely monitoring the telephone costs and fuel cost. We plan to close some of the lines we have to only allow landline calling. The increase in the electricity tariffs have an impact in the cost of goods in general. We should therefore expect increase in prices which might even affect the inflation. We are estimating a 6% increase in prices and this might change at any time especially depending on the tariff application by Eskom.

We will be implementing the new salary grading in the 2015/2016 financial year and this will have an impact in the salary budget. We are estimating that this will slightly affect the salaries of Managers and this will increase our salary cost. There was a proposal that we apply for exemption on the salary increases for 2015/2016 but this needs to be a well consulted thought as it may save us as an institution but it may create serious tensions with labour.



Bulk Purchases

The purchases of Electricity and Water will cost the municipality R192 million and this might increase by additional 13% subject to approval of Eskom request for an additional increase in their prices. Eskom has applied for a total increase of 27% for implementation on the 1st of July 2015. Rand Water has also notified municipality that the additional increase by Eskom will also have a snowball effect to their 14% increase in bulk water tariffs.

Employee Costs

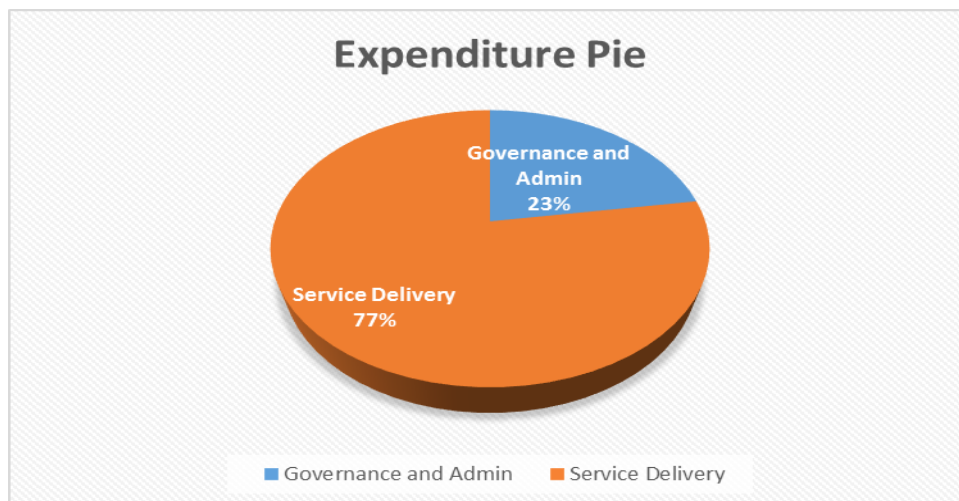
The employee cost consist of 33% of the total operating cost and 29% of the total expenditure. The budget takes into account the salary increase for 2015/2016 and the new wage curve to be implemented in 2015/2016. We have budgeted for an increment of 8% in employee cost for the year. We expected to decrease the overtime and stand by cost by R2 million in the 2015/2016 financial year.

Employee related costs	2014/2015	2015/2016	2016/2017	2017/2018
Basic Salaries and Wages	80 906 000.00	85 760 360.00	86 504 180.64	87 419 394.87
Pension and UIF Contributions	17 196 000.00	18 227 760.00	18 385 853.83	18 580 376.17
Medical Aid Contributions	13 828 430.82	14 658 136.67	14 785 270.29	14 941 698.45
Overtime	4 200 000.00	2 400 000.00	2 400 000.00	2 400 000.00
Performance Bonus	1 500 000.00	837 000.00	837 000.00	837 000.00
Motor Vehicle Allowance	10 500 000.00	11 109 000.00	11 226 533.22	11 345 309.94
Cell phone Allowance	1 593 000.00	300 000.00	300 000.00	300 000.00
Housing Allowances	600 000.00	634 800.00	641 516.18	648 303.43
Other benefits and allowances	6 171 524.07	10 973 072.46	11 089 167.57	11 206 490.96
Payments in lieu of leave	-	-	-	-
Long service awards	-	1 500 000.00	1 515 870.00	1 531 907.90
Post-retirement benefit obligations	-	2 500 000.00	2 526 450.00	2 553 179.84
	136 494 954.89	148 900 129.14	150 211 841.73	151 763 661.56

Depreciation and Debt Impairment

The municipality budgeted for a depreciation of R58 million and the debt impairment of R25 million. The total of R93 million has been budgeted for provision and estimate which are mostly accounting expenditure than the real cash. The council should note that especially on depreciation of assets council should in the near future structure its budget model to finance the depreciation of the assets as this will allow the municipality to renew assets in time as they reach their life span. Reinvestment in our assets is critical for the sustainability of the municipal service delivery programme.

SERVICE DELIVERY EXPENDITURE



According to the above pie chart it reflects that 77% of the municipal budget is allocated service delivery units in the municipality. The decrease in governance and admin cost is influenced by the R86 million decrease in the total operating costs. The governance and admin cost have been reduced by R97 million as compared to the 2014/2015 financial year.

Service delivery cluster is our core mandate and we are measured on how well we are doing in this departments. Four of our 7 strategic goals are measuring service delivery and we need to do well in this regard to achieve those goals. The goals relating to governance, business excellence and financial viability are critical as well and will be achieved,

BUDGET BY VOTE

Standard Classification Description	2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard			
<i>Governance and administration</i>	253 880	259 026	277 310
Executive and council	739	782	828
Budget and treasury office	252 754	257 846	276 073
Corporate services	387	398	410
<i>Community and public safety</i>	14 211	12 552	12 857
Community and social services	6 370	4 638	4 868
Sport and recreation	265	280	296
Public safety	6 000	6 000	6 000
Housing	977	1 034	1 094
Health	600	600	600
<i>Economic and environmental services</i>	10 978	11 083	11 232
Planning and development	2 578	2 683	2 832
Road transport	8 400	8 400	8 400
Environmental protection	–	–	–
<i>Trading services</i>	296 768	310 914	321 801
Electricity	99 476	109 423	107 759
Water	138 233	140 260	149 433

Waste water management	26 759	27 230	28 809
Waste management	32 301	34 001	35 799
Total Revenue - Standard	575 838	593 574	623 200
<u>Expenditure - Standard</u>			
<i>Governance and administration</i>	109 308	113 056	126 327
Executive and council	30 400	31 920	33 516
Budget and treasury office	38 008	38 190	47 718
Corporate services	40 900	42 945	45 093
<i>Community and public safety</i>	44 888	47 282	49 647
Community and social services	20 981	22 030	23 131
Sport and recreation	3 869	4 063	4 266
Public safety	15 688	16 472	17 296
Housing	3 000	3 300	3 465
Health	1 350	1 418	1 488
<i>Economic and environmental services</i>	48 713	51 149	53 707
Planning and development	13 300	13 966	14 664
Road transport	35 413	37 184	39 043
Environmental protection	–	–	–
<i>Trading services</i>	282 580	297 372	307 688
Electricity	99 476	109 423	107 759
Water	138 233	140 260	149 433
Waste water management	25 570	27 230	28 809
Waste management	19 301	20 459	21 687
Total Expenditure - Standard	485 490	508 859	537 368
Surplus/(Deficit) for the year	90 348	84 715	85 831

FUNDING

The budget tabled reflect that the municipality will operate at a cash deficit of R2.4 million at the end of the financial year but closing with a cash surplus of R497 000 when taking into account the opening balance at the beginning of the year. It is very critical that council should note that the budget of the municipality and the cash resources of the municipality does not allow the municipality to be liquid because we will always be relying on the monthly collection to sustain our operations.

**R38 million
Monthly cash
requirements**

The National Treasury advises municipalities to at least have three months cash resources in the bank account and if we have to apply this principle we will have to close the month with at least R90 million in the bank account. Unfortunately because of our operational requirements and historical cash position we are unable to achieve this objective. But council should also note that vigorous cash collection and cost saving initiatives have assisted us in meeting the MFMA requirements of ensuring that we have a positive bank balance regularly.

**R37.7 million
Eskom Balance to
be settled.**

We have to pay R37.7 million to Eskom by March 2016 to settle the outstanding balance. The council should also take cognisance that we estimated that we will recover R36 million from our current debtors book so that we are able to fulfil the Eskom arrangement. If we fail to recover this outstanding debt the municipality will be in a more serious financial position than we are currently in now. We need to collect our debts and

this needs to be an effort by all parties in the municipality. We need all measures possible to collect this debt.

Description	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand			
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates, penalties & collection charges	57 908	51 599	56 759
Service charges	244 257	231 760	252 087
Other revenue	18 128	19 113	20 154
Government - operating	139 166	137 205	146 796
Government - capital	52 460	51 748	55 290
Interest	529	560	592
Payments			
Suppliers and employees	(441 874)	(426 867)	(455 674)
Finance charges	(2 200)	(1 500)	(1 100)
Transfers and Grants	(3 000)	(3 000)	(3 000)
NET CASH FROM/(USED) OPERATING ACTIVITIES	65 374	60 617	71 905
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds on disposal of PPE	1 200	–	–
Decrease (Increase) in non-current debtors	500	500	–
Decrease (increase) in non-current investments	180	–	–
Payments			
Capital assets	(62 322)	(52 248)	(55 290)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(60 442)	(51 748)	(55 290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Increase (decrease) in consumer deposits	363	385	407
Payments			
Repayment of borrowing	(7 771)	(7 771)	(7 771)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(7 408)	(7 387)	(7 364)
NET INCREASE/ (DECREASE) IN CASH HELD	(2 477)	1 482	9 250
Cash/cash equivalents at the year begin:	2 974	497	1 980
Cash/cash equivalents at the yearend:	497	1 980	11 230

CAPITAL BUDGET

The municipality will be spending R170 million in the next three years on capital infrastructure and assets replacement programme. The capital expenditure is spread amongst all the 7 strategic objectives of the municipality but basic infrastructure remain the major benefactor in this programme. The capital infrastructure programme will eradicate some of the backlogs we have in the municipality and also replace old and aging assets of the municipality. The capital infrastructure programme will be financed through national grant funding which consist 93% of the funding and 7% own income funding.

**R170 Capital
Expenditure
over MTREF.**

**93% Funded by
Grants.**

The table below reflects the capital projects that will be implemented in the next three years.

Capital budget	2015-16	2016-17	2017-18	Funding Source
	R	R	R	
Goal 1 : To promote integrated sustainable development	8 200 000.00	6 000 000.00	7 000 000.00	
Westonaria Electrification	8 000 000.00	6 000 000.00	7 000 000.00	INEP Own Revenue
Planning - Fleet	200 000.00			
Goal 2 : To ensure the provision of basic services to communities	43 696 421.19	30 748 200.00	34 455 239.22	
Simunye Multi-Purpose Sport & Recreation Community Centre (phase 2)		5 056 048.34	3 996 839.22	MIG
Simunye Multi-Purpose Sport & Recreation Community Centre (Indoor Exercise Facility)	6 534 699.00			MIG
Roads in Zuurbekom (phase 2)		5 000 000.00	3 958 400.00	MIG
Zuurbekom New and Refurbishment of High Mast Lighting	5 000 000.00			MIG
Simunye Internal Roads (Phase 5)	9 877 096.00	3 192 151.66		MIG
Zuurbekom Multi-Purpose Sport & Recreation Community Centre	2 000 000.00		3 500 000.00	MIG
Westonaria Sport Complex (Phase 2)	2 000 000.00		8 000 000.00	MIG
Westonaria Cemetery Refurbishment	300 000.00			MIG
Hills Haven Outfall Sewer Upgrade		7 000 000.00		MIG
Bekkersdal Sports Facility	7 134 626.19			MIG
Venterspost and Glenharvie Streetlights - New and Refurbishment	5 000 000.00			MIG
Hannes van Niekers Access Road			15 000 000.00	MIG
Westonaria alternate supply pipeline construction		5 500 000.00		MIG
Glenharvie Alternate Pump Supply pipeline construction		5 000 000.00		MIG
Bekkersdal Transfer Station	50 000.00			MIG Own Revenue
Replacement Heavy Machinery/ Plant (1 x Grader, 2 x TLB, 2 x Tractors, 1 x Roll-on Truck)	5 500 000.00			
Project Management Fleet	300 000.00			MIG
Goal 3 : To promote local economic and social development	6 106 028.81	13 000 000.00	11 835 160.78	
Construction of waste processing plant (Phase 2)		5 000 000.00	5 000 000.00	MIG
Proposed infrastructure (Industrial park) development on portion 47 & 48 of the farm Gempost 288IQ	6 106 028.81	8 000 000.00	6 835 160.78	MIG
Goal 4: To provide safe environment	800 000.00	500 000.00	-	
Horticultural equipment	-	500 000.00		Own Revenue
Replacement of Parks and Cemetery Fleet (4 x LDV)	800 000.00			Own Revenue

Goal 5: To ensure internal municipal excellence	2 360 000.00	500 000.00	500 000.00	
ICT Equipment's	250 000.00	250 000.00	250 000.00	Own Revenue
Tools and Equipment's	250 000.00	250 000.00	250 000.00	Own Revenue
Refurbishment of Banquet Hall Roof	1 000 000.00			Own Revenue
Palisade Fencing for Main Office	500 000.00			Own Revenue
Pool Fleet (3 x Sedans)	360 000.00			Own Revenue
Goal 6 : To provide a democratic and accountable government for local communities	110 000.00	-	-	
PA System	10 000.00			Own Revenue
Public Participation Vehicle	100 000.00			Own Revenue
Goal 7 : To ensure financially viable and sustainable municipality	1 050 000.00	2 000 000.00	2 000 000.00	
Pre-paid Water Meters (phase 4) - supply and Installation	50 000.00	2 000 000.00	2 000 000.00	MIG
Installation of smart meters system	1 000 000.00			Own Revenue
		-	-	
Total Capital Budget	62 322 450.00	52 748 200.00	55 790 400.00	
SOURCES OF FUNDING	62 322 450.00	52 748 200.00	55 790 400.00	
OWN INCOME	9 970 000.00	1 000 000.00	500 000.00	
INEP	8 000 000.00	6 000 000.00	7 000 000.00	
MIG	44 352 450.00	45 748 200.00	48 290 400.00	

FREE BASIC SERVICES

Description	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Households receiving Free Basic Service</u>			
Water (6 kilolitres per household per month)	19 800	19 800	19 800
Sanitation (free minimum level service)	19 800	19 800	19 800
Electricity/other energy (50kwh per household per month)	3 850	4 000	4 100
Refuse (removed at least once a week)	19 800	19 800	19 800
<u>Cost of Free Basic Services provided (R'000)</u>			
Water (6 kilolitres per household per month)	17 820	17 820	17 820
Sanitation (free sanitation service)	16 976	16 976	16 976

Electricity/other energy (50kwh per household per month)	2 541	2 640	2 706
Refuse (removed once a week)	22 810	22 810	22 810
Total cost of FBS provided (minimum social package)	60 147	60 246	60 312
<u>Highest level of free service provided</u>			
Property rates (R value threshold)	150 000	150 000	1 500 000
Water (kilolitres per household per month)	6	6	6
Sanitation (kilolitres per household per month)	–	–	–
Sanitation (Rand per household per month)	68	68	68
Electricity (kwh per household per month)	55	55	55
Refuse (average litres per week)	96	96	96
<u>Revenue cost of free services provided (R'000)</u>			
Property rates (R15 000 threshold rebate)	2 888	3 000	3 075
Property rates (other exemptions, reductions and rebates)	–	–	–
Water	17 820	17 820	17 820
Sanitation	16 976	16 976	16 976
Electricity/other energy	2 541	2 640	2 706
Refuse	22 810	22 810	22 810
Municipal Housing - rental rebates			
Housing - top structure subsidies			
Other			
Total revenue cost of free services provided (total social package)	63 034	63 246	63 387

POLICIES

Indigent Policy

The indigent policy which is a policy guideline on the support the municipality will provide to indigent household remain unchanged. The council will provide support to households whose income is below R2600 per month. The support will only be provided to households where the property is used for private household.

R2600 Indigent Household Income.

All indigents should be provided with prepaid electricity and water meters. The indigent will be provided with 6kl of water, 50Kwh of electricity, Sanitation, Refuse and a R150 000 rebate on the value of the house for the calculation of property rates tax.

All indigents will be verified and approved by the Municipal Manager. Continuous effort should be made to improve the administration of indigents and ensure that indigents are verified continuously.

Any person who falsify their indigent application will be considered to have committed fraud and criminal charges will be instituted against them.

Credit Control and Debt Collection Policy

The credit control and debt collection policy also remains unchanged but we just need to emphasize that various stakeholders in the municipality are assigned roles in terms of the policy. The roles are outlined in the paragraphs below. We need to ensure that each person takes responsibility and fulfil their roles as specified in the council policy.

We need 87% Collection to sustain the budget.

All should pay and participate in the running town.

6.1. Duties and Functions of Council

- To approve a budget consistent with the needs of communities, ratepayers and residents.
- To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- To facilitate the generation of sufficient funds to give access to basic services for the poor.
- To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority
- To approve a reporting framework for credit control and debt collection.
- To consider and approve by-laws to give effect to the Council's policy.
- To monitor the performance of the Executive Mayor (Supervising Authority) regarding credit control and debt collection.
- To revise the budget should Council's targets for credit control and debt collection not be met.
- To take disciplinary and/or legal action against councillors, officials and agents who do not execute this policy and related by-laws.
- To approve a list of attorneys and or agents that will act for Council in all legal matters relating to debt collection.
- To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Executive Mayor and Municipal Manager and Service Provider respectively.
- To provide sufficient capacity in the Finance Department for credit control and debt collection.
- Alternatively to appoint a Service Provider, or debt collection agent.
- To assist the Municipal Manager in the execution of his duties, if and when required.
- To provide funds for the training of staff on matters relating to this policy.

6.2 DUTIES AND FUNCTIONS OF EXECUTIVE MAYOR

- To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of this policy and relevant by-laws.
- To monitor the performance of the Municipal Manager in implementing this policy and related by-laws.
- To report to Council.

6.3 DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER

- To implement good customer care management systems.
- To implement council's credit control and debt collection policy.
- To install and maintain an appropriate accounting system.
- To bill customers.
- To demand payment on due dates.
- To raise penalties for defaults.
- To appropriate payments received.
- To collect outstanding debt.

- To provide different payment methods.
 - To determine credit control and debt collection measures.
 - To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
 - To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
 - To set performance targets for staff.
 - To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.
 - To delegate certain functions to heads of departments.
 - To determine control procedures.
 - To monitor contracts with service providers in connection with credit control and debt collection
 - To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
 - To report to the Mayor.
- 6.4 DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS
- To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
 - To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
 - To observe the mechanisms and processes of the municipality in exercising their rights.
 - To allow municipal officials access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.
 - To comply with the by-laws and other legislation of the municipality.
 - To refrain from tampering with municipal services and property.
- 6.5 DUTIES AND FUNCTIONS OF WARD COUNCILLORS
- To hold regular ward meetings with residents in order to encourage payment and address challenges relating to this policy.
 - To adhere to and convey this policy to residents and ratepayers.
 - To adhere to the Code of Conduct for Councillors.
 - Ward Committees will act in terms of roles and functions as approved by Council.

ANNEXURES

1. **A1 Schedules (Detail Budget)**
2. **Tariff Book 2015/2016**
3. **Budget Policies**

RECOMMENDATION

1. THAT council note the report and the Executive Mayors budget speech.
2. THAT council approves the annual budget as outlined in the budget schedules.
3. THAT council approves the tariffs for 2015/2015 financial year.
4. THAT the tariffs for Electricity and Water should be revised if the additional application by Eskom to increase tariffs by 27% is approved by Nersa and Rand Water changes its tariffs as a result.
5. THAT the Executive Mayor assisted by the Municipal Manager should implement all legally possible measures to ensure that the budget is implemented and fully funded.